

Message Text

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ACTION NEA-09

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R 201100Z MAR 75 ZDK
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TO SECSTATE WASHDC 8727
INFO AMEMBASSY DJAKARTA
AMEMBASSY ISLAMABAD
AMCONSUL LAHORE

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C O R R E C T E D C O P Y P A R A 3 A N D 4

E.O. 11652: N/A

TAGS: ECON, EPAP, ETRD, PK

SUBJ: TRADING CORPORATION OF PAKISTAN TO GIVE NEW
ASSISTANCE TO STILL DEPRESSED PAK COTTON
TEXTILE INDUSTRY

REF: KARACHI 2192, NOV 6, 1974

SUMMARY: HARD PRESSED PAK COTTON TEXTILE INDUSTRY
HAS CONTINUED TO SUFFER SERIOUS PROBLEMS DUE PRIMARILY
TO SOFTNESS IN INTERNATIONAL MARKET FOR COTTON YARN. DESPITE
MEASURES UNDERTAKEN BY GOP TO REMEDY SITUATION, FY 75 FOREIGN
EXCHANGE EARNINGS FOR TEXTILE SECTOR (YARN AND CLOTH NOW PROJECTED
AT DOLS225 MILLION, 21 PERCENT BELOW THE PROJECTED TARGET OF
DOLS285 MILLION. CONTINUED SOFTNESS IN YARN MARKET HAS CAUSED
NUMEROUS DIFFICULTIES FOR DOMESTIC YARN SPINNING MILLS, MANY OF
WHICH ARE NOW OPERATING FAR UNDER CAPACITY WITH FORTY-FIVE
UNITS REPORTEDLY PARTIALLY OR COMPLETELY CLOSED DOWN. NEW
EFFORTS BY GOPP TO INCREASE LIQUIDITY EFFORTS
BY GOP TO INCREASE LIQUIDITY OF HARD-PRESSED
SPINNING MILLS THROUGH PURCHASE, STOCK PILING AND SALE
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ABROAD OF COTTON YARN EXPECTED TO PARTIALLY AMELIORATE

CRITICAL SITUATION. HOWEVER SHORT TERM PROSPECTS FOR INDUSTRY STILL NOT BRIGHT. END SUMMARY.

1. DESPITE MEASURES TAKEN BY GOP TO ATTEMPT TO REMEDY CRITICAL SITUATION IN PAKISTAN COTTON YARN SPINNING INDUSTRY DESCRIBED REFTEL, SITUATION OVER PAST SEVERAL MONTHS HAS CONTINUED TO BE POOR. KNOWLEDGEABLE SOURCE ON STAFF OF KEY ALL PAKISTAN TEXTILE MILLS ASSOCIATION (APTMA) REPORTS FOLLOWING STATISTICS FOR COTTON YARN SALES AND SHIPMENTS IN FY 1974:

MONTHS	ACTUAL EXPORT	
	EXPORT SALES REGISTERED (IN MILLION OF LBS.)	SHIPMENTS (IN MILLION OF LBS.)
JULY	7.4	8.1
AUGUST	7.6	9.5
SEPTEMBER	19.0	10.4
OCTOBER	24.4	13.5
NOVEMBER	23.2	18.0
DECEMBER	15.2	19.5
JANUARY	12.2	10.6
FEBRUARY	14.0	9.5

2. AS CAN BE SEEN ABOVE SALES INCREASED SIGNIFICANTLY BEGINNING SEPTEMBER 1974 NO DOUBT AS A RESULT OF EFFORTS UNDERTAKEN BY GOP TO INCREASE YARN EXPORTS DESCRIBED REFTEL. ACTUAL SHIPMENTS SHOWED CORRESPONDING INCREASE WITH LAG OF ONE OR TWO MONTHS. NONETHELESS, YARN EXPORTS AGAIN SOFTENED IN RECENT MONTHS. APTMA SOURCE NOW PROJECTS TOTAL FY 1975 YARN EXPORTS AT MAXIMUM OF 150 MILLION LBS. - 50 PERCENT LESS THAN ORIGINAL EXPORT TARGET OF 300 MILLION LBS. PROJECTED AVERAGE PRICE OF EXPORT YARN STILL ESTIMATED AT 50 CENTS PER LB. WHICH WAS ANTICIPATED AVERAGE PRICE AT BEGINNING OF FY 1975. THEREFORE PROJECTED FOREIGN EXCHANGE EARNINGS FOR YARN EXPORTS IN FY 1975 NOW ESTIMATED AT DOLS75 MILLION.

3. APTMA SOURCE REPORTS THAT COTTON FABRIC SALES HAVE CONTINUED STRONG THROUGHOUT FY 1975 AND PROJECTED EXPORTS FOR FINANCIAL YEAR NOW ESTIMATED AT 650 MILLION SQUARE YARDS AS UNCLASSIFIED

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AGAINST THE ORIGINAL TARGET OF ONLY 500 MILLION SQ. YDS.. PRICE OF FABRIC HOWEVER HAS DECLINED AND PROJECTED AVERAGE PRICE OF FABRIC FOR FULL FISCAL YEAR NOW ESTIMATED AT 23 CENTS AS OPPOSED TO ANTICIPATED AVERAGE PRICE OF 27 CENTS PER YARD. NONETHELESS DUE TO SIGNIFICANT INCREASE IN ACTUAL QUANTITY OF FABRIC EXPORTED TOTAL FOREIGN EXCHANGE EARNINGS FOR COTTON FABRIC IN FY 1975 NOW PROJECTED AT DOLS150 MILLION, AN 11 PERCENT INCREASE OVER ORIGINAL TARGET OF DOLS135 MILLION. TOTAL FOREIGN EXCHANGE

EARNINGS FOR COTTON TEXTILE SECTOR (YARN AND FABRIC) FOR FY 1975, BASED ON FIRST 8 MONTHS FIGURES PLUS ESTIMATES FOR REMAINING 4 MONTHS NOW PROJECTED AT DOLS225 MILLION, 21 PERCENT LESS THAN THE ORIGINAL TARGET FIGURE OF DOLS285 MILLION BUT STILL SOMEWHAT BETTER THAN THE VERY PESSIMISTIC PREDICTIONS OF LAST FALL.

4. CONTINUING SOFTNESS IN COTTON YARN EXPORTS HAS RESULTED IN SEVERE DIFFICULTIES FOR LESS EFFICIENT TEXTILE MILLS ENGAGED SOLELY IN SPINNING. APTMA SOURCE REPORTS APPROXIMATELY 600,000 SPINDLES OUT OF TOTAL OF 3.3 MILLION PRESENTLY PARTIALLY OR FULLY OUT OF PRODUCTION IN COUNTRY. FOREIGN COMPETITION FROM FAR EAST COMPETITORS INCLUDING SOUTH KOREA, USING US-PL 480 FINANCED COTTON AS WELL AS NEW COMPETITION FROM INDONESIAN SPINNING MILLS RECENTLY SET UP WITH JAPANESE CAPITAL CONSIDERED MAIN CAUSE OF DIFFICULTIES. DIFFICULTIES, ACCORDING TO APTMA SOURCE, COMPOUNDED BY GOP POLICY OF SUPPORTING PRICE OF LINT COTTON PAID TO DOMESTIC GINNERS AT ARTIFICIALLY HIGH LEVEL OF RS.200/- PER MAUND (82 LBS.). AND FURTHER AGGRAVATED BY SOUTH KOREAN AND TURKISH DEVALUATIONS.

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